

# EZ HOMESTEAD CREDIT PLAN



**SENATE DEMOCRATS**

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# HB 1001: Winners and Losers

1. Low and Middle income taxpayers lose
2. Schools lose
3. We all lose through potential state general fund deficit

# Low and Middle Income Hoosiers

## **The South Bend Example**

# Low and Middle Income Hoosiers

## Examples of Savings or Loss for Homesteads in South Bend

Gross AV of Home	Property Tax Savings	Income (AGI)	1% Sales Tax Paid	1.2% LOIT Paid	Total Savings or (Loss)
\$100,000	\$570	\$100,000	\$380	\$1,200	<b>(\$1,010)</b>
\$200,000	\$2,589	\$200,000	\$480	\$2,400	<b>(\$290)</b>
\$500,000	\$8,646	\$250,000	\$600	\$3,000	<b>+\$5046</b>

# Indiana Schools

School Corporation	2009 Shortfall	2010 Shortfall
Gary Schools	<b>9.10 million</b>	<b>9.16 million</b>
Hammond Schools	<b>14.05 million</b>	<b>13.72 million</b>
Indianapolis Schools	<b>15.67 million</b>	<b>15.23 million</b>
Fort Wayne Schools	<b>3.06 million</b>	<b>3.22 million</b>
Muncie Schools	<b>4.03 million</b>	<b>4.52 million</b>
South Bend Schools	<b>8.87 million</b>	<b>9.18 million</b>

# The Future for Hoosiers

## *Impact on the State General Fund*

Are we facing an economic downturn?

Can we depend on sales tax revenue?

Are we overspending now... at the risk  
of our future?

# EZ HOMESTEAD CREDITS

## To Calculate:

1. Assessed Valuation
2. Minus Standard Deduction (\$45,000)
3. Calculate Tax
4. Deduct Homestead Credit based on ability to pay
5. Pay balance

Income (AGI)	Homestead Credit
<\$35K	90%
\$35-50K	75%
\$50-75K	62%
\$75-100K	52%
>\$100K	40%

# EZ HOMESTEAD CREDITS

## Example A: \$45,000 Income

AV	\$80,000
Less Standard Deduction	-40,000
Net AV	40,000
Gross Tax	1,000
<u>Less HC (AGI \$45,000= 75% HC)</u>	<u>- 750</u>
<b>Total Tax Paid</b>	<b>\$250</b>



# EZ HOMESTEAD CREDITS

## Example B: \$75,000 Income

AV	\$150,000
Less Std Deduct	-45,000
Net AV	105,000
Gross Tax	2,625
<u>Less HC (AGI \$75,000= 62% HC)</u>	<u>- 1,628</u>
<b>Total Tax Paid</b>	<b>\$ 997</b>

# EZ HOMESTEAD CREDITS

## Example C: \$100,000 Income

AV	\$300,000
Less Std Deduct	-45,000
Net AV	255,000
Gross Tax	6,375
<u>Less HC (AGI \$100,000= 52% HC)</u>	<u>-3,315</u>
<b>Total Tax Paid</b>	<b>\$ 3,060</b>

# EZ HOMESTEAD CREDITS

## Example D: \$300,000 Income

AV	\$600,000
Less Std Deduct	-45,000
Net AV	555,000
Gross Tax	13,875
<u>Less HC (AGI \$300,000= 40% HC)</u>	<u>- 5,550</u>
<b>Total Tax Paid</b>	<b>\$ 8,325</b>

# EZ HOMESTEAD CREDITS

## How do we pay for it?

	FY09	FY10
State PTRC	\$825,169,903	\$852,145,463
State HC	314,068,163	278,928,382
Growth PTRC	81,100,000	84,400,000
LOIT ½%	635,700,000	655,200,000
1 cent Sales Tax	935,400,000	958,200,000
<b>TOTAL:</b>	<b>\$2,791,438,066</b>	<b>\$2,828,873,845</b>

# EZ HOMESTEAD CREDITS

## Costs

Homestead Credits	\$2,708,337,174
Renter's Deduct Increase	52,700,000
EITC Increase to 9% of federal EITC	29,600,000
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<b>Total:</b>	<b>\$2,790,637,174</b>

# GOVERNOR'S PLAN

- Middle Income taxpayers pay for Property Tax relief of wealthy
- In South Bend, you will need:  
AV of \$200,000 with AGI above \$100,000  
to come out ahead

# GOVERNOR'S PLAN

- Shortfall to Local Government forcing up LOIT
- Shortfall to schools of over \$310,000,000 over 2 years
- Shortfall in state spending by \$268,000,000\*
- Creates deficit state budget by 2009

*\*According to State Budget Agency estimates*

# SENATE REPUBLICAN PLAN

## **More regressive than the House-passed plan**

- Reduces Renters' deduction increase by \$2,000
- Removes EITC increase
- Applies a 35% supplemental deduction to all homes with AVs up to \$600,000 and a 25% deduction for any remaining AV over \$600,000

## **Spends more money**

- Attempts to cover only 45% of school shortfall
- Additional \$300 million expenditure



# EZ HOMESTEAD CREDITS

- Gives every homestead immediate & significant relief (from 90% to 40% reductions)
- Gives higher % of relief to families paying higher proportion of income toward P/T reductions
- Mitigates impact of sales tax increase
- No shortfall to schools and locals
- Pays for itself – no state budget deficit
- Simple – easy to understand

# EZ HOMESTEAD CREDIT PLAN

Senate Democrat Caucus  
February 25, 2008

**Q & A**